

Issue 77: INSIDER'S EDGE: Even MORE MAGI Household Construction Scenarios

This week, we'll be looking at three scenarios submitted by Frederick County readers. Each scenario raises a fundamental question: Is there a difference in the household composition if the entire household or just a single member is applying for benefits? No. In many cases, an applicant's household will include individuals who are not applying for coverage.

A Quick Refresher: Relationship-Based Rules **(Readers in a Rush? Scroll Down for the Questions!)**

For purposes of determining eligibility for insurance affordability programs, including Medicaid, in most cases the household includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

Tax filer household rules:

- Tax filer is head of household and usually the primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
 - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent *even if* they don't live at home.

Under the tax dependent household rules, the following individuals must be included in the household:

- Tax dependent;
- Tax filer who is claiming the individual as a tax dependent (this could be two people if filing jointly);
- Tax filer's spouse, if living with the tax filer;
- Any other tax dependents the taxpayer(s) claim;
- The tax dependent's spouse if they live together.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions arise, the Medicaid household for the applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

Application of Relationship-Based Rules
1) Applicant is not planning to file taxes.
2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.
3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.
4) Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?

For adults, a household must consist of:

- Adult applying for coverage;
- Adult's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

This Week's Questions



1. Margaret and Dan live together with their children, Alec and Autumn. Margaret and Dan are not married and file taxes separately. Margaret claims Alec as a tax dependent. Dan claims Autumn as a tax dependent. If all household members apply for coverage, whose income would be counted? If Margaret receives insurance through work and only Dan and the children need coverage whose income would be counted?

As noted above, which family members are applying for benefits will not impact how their households are constructed. Here's what each family member's household will look like if they apply for coverage:

- **Margaret (mom): Margaret + Alec = Household of 2**

In Margaret's case, the tax filer household rules apply. Her household includes herself (tax filer) and her dependent (Alec). Since Margaret and Dan aren't married and Margaret does not claim Autumn as a dependent, neither one is included in Margaret's household.

- **Dan (dad): Dan + Autumn = Household of 2**

In Dan's case, the tax filer household rules apply. His household includes himself (tax filer) and his dependent (Autumn). Since Dan and Margaret aren't married and Dan does not claim Alec as a dependent, neither one is included in Dan's household.

- **Alec (son): Margaret + Dan + Alec + Autumn = Household of 4**

Alec's situation triggers exception **(3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.** In Alec's household, we count Alec, both of his parents, and his sister, Autumn.

• **Autumn (daughter): Margaret + Dan + Alec + Autumn = Household of 4**

Like Alec, Autumn's situation triggers exception **(3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.** In Autumn's household, we count Autumn, both of her parents, and her brother, Alec.

For additional information on household construction for unmarried couples, see *Issue 65: INSIDER'S EDGE: Constructing the Household—Unmarried Parents & Separated Couples.*



2. Janet is 7 and lives with her grandparents, Liz and Eddie. Liz and Eddie are married, file taxes jointly, and receive health care coverage through Medicare. Janet has no income and does not file taxes. Liz and Eddie are not applying for benefits. Does this impact Janet? Would Liz and Eddie's income count towards Janet's household if they do not claim her as a dependent on their taxes?

The answer to both questions is no. Remember, whether Liz and Eddie are applying for benefits does not impact who is in Janet's household.

In this case, Janet's situation triggers exception **(1) Applicant is not planning to file taxes** since she is not being claimed as a dependent by anyone. Janet is under 21, so the child relationship-based rules will apply. Since Janet does not live with her parents or any siblings, is not married, and has no children of her own living with her, she is a household of 1.

Would the grandparents' income count if they *do* claim Janet as a dependent? I'm assuming the answer would be the same if Janet lived with her Aunt and Uncle?

Janet would still be considered a household of 1 *even if* her grandparents claim her as a dependent. Why? The relationship-based rules will still apply. Janet's situation will trigger exception **(2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.** The outcome would also be the same if Janet were living with her Aunt and Uncle rather than her grandparents.



3. Marie and David are married. They live together with Marie's son from her previous marriage, Rafael. Marie is applying for benefits for her son, Rafael. Does David's income count if he and Marie file their taxes jointly and claim Rafael as a dependent?

Yes. Here's what the households would look like for each family member.

• **David (stepdad): David + Marie + Rafael = Household of 3**

In David's case, the tax filer household rules apply. As a tax filer, his household includes himself, his spouse (Marie), and his dependent, Rafael.

• **Marie (mom): David + Marie + Rafael = Household of 3**

In Marie's case, the tax filer household rules apply. As a tax filer, her household includes herself, her spouse (David), and her dependent, Rafael.

• **Rafael (son): David + Marie + Rafael = Household of 3**

In Rafael's case, the tax dependent household rules apply. His household includes himself and the taxpayers claiming him as a tax dependent (Marie and David). Since David and Marie have no other tax dependents and Rafael is not married, these factors do not impact the size of Rafael's household.

Would David's income count towards Rafael's eligibility determination if he and Marie file separately and Marie claims Rafael as a dependent on her own return?

Yes. This one is a little tricky, so keep reading! Here's what the households would look like for each family member under this scenario.

• **David (stepdad): David + Marie = Household of 2**

The tax filer household rules apply. As a tax filer, David's household includes himself and his spouse since they live together (Marie).

• **Marie (mom): David + Marie + Rafael = Household of 3**

The tax filer household rules apply. As a tax filer, Marie's household includes herself, her spouse since they live together (David), and her tax dependent (Rafael).

- **Rafael (son): David + Marie + Rafael = Household of 3**

In Rafael's case, the tax dependent household rules apply. His household includes himself and the tax filer claiming him as a tax dependent (Marie) and the spouse living with the tax filer (David). Since Marie has no other tax dependents and Rafael is not married, these factors do not impact the size of Rafael's household.

Have questions? Of course you do! Shoot me an e-mail, dhmh.medicaidmarge@maryland.gov.